

**QUARTERLY STATEMENT  
OF THE  
Volunteer State Health Plan, Inc.**

**of  
Chattanooga  
in the state of  
Tennessee**

**TO THE  
Insurance Department  
OF THE STATE OF  
Tennessee**

**FOR THE QUARTER ENDED  
June 30, 2005**

**2005**

QUARTERLY STATEMENT  
AS OF June 30, 2005  
OF THE CONDITION AND AFFAIRS OF THE  
Volunteer State Health Plan, Inc.

NAIC Group Code	0000 (Current Period)	0000 (Prior Period)	NAIC Company Code	Employer's ID Number	62-1656610
Organized under the Laws of	Tennessee	State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America				
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]	Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[ ] No[X]	Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]		
Incorporated/Organized	07/11/1996	Commenced Business	11/01/1996		
Statutory Home Office	801 Pine Street (Street and Number)	Chattanooga, TN 37402 (City, or Town, State and Zip Code)			
Main Administrative Office	801 Pine Street (Street and Number)	Chattanooga, TN 37402 (City or Town, State and Zip Code)	(423)535-5600 (Area Code) (Telephone Number)		
Mail Address	801 Pine Street (Street and Number or P.O. Box)	Chattanooga, TN 37402 (City, or Town, State and Zip Code)	(423)535-5600 (Area Code) (Telephone Number)		
Primary Location of Books and Records	801 Pine Street (Street and Number)	Chattanooga, TN 37402 (City, or Town, State and Zip Code)	(423)535-5600 (Area Code) (Telephone Number)		
Internet Website Address	www.bcbst.com				
Statutory Statement Contact	Dana Elaine Hull (Name) Dana_Hull@BCBST.com (E-Mail Address)	(423)535-7919 (Area Code)(Telephone Number)(Extension) (423)535-8331 (Fax Number)			
Policyowner Relations Contact	801 Pine Street (Street and Number) Chattanooga , TN 37402 (City, or Town, State and Zip Code)	(423)535-5600 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title	#
Vicky Brown Gregg	Chairman	
Ronald Ellis Harr	President & CEO	
Sonya Kay Nelson	Vice President, Medicaid Administration	#
Shelia Dian Clemons	Secretary	#
David Lee Deal	Treasurer & CFO	
Harold Hoke Cantrell Jr.	Assistant Treasurer	



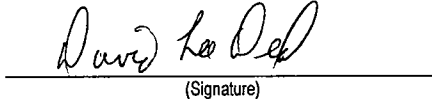
OTHERS

DIRECTORS OR TRUSTEES

Ronald Ellis Harr David Lee Deal Steven Lee Coulter MD #	Vicky Brown Gregg Joan Carol Harp
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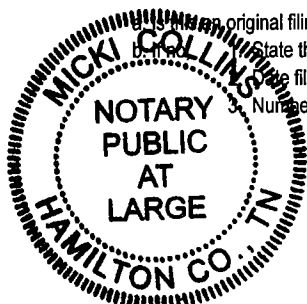
State of Tennessee  
County of Hamilton ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

 (Signature) Ronald Ellis Harr (Printed Name) President & CEO (Title)	 (Signature) Shelia Dian Clemons (Printed Name) Secretary (Title)	 (Signature) David Lee Deal (Printed Name) Treasurer & CFO (Title)
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Subscribed and sworn to before me this 9th day of Aug, 2005

  
(Notary Public Signature)



Number of original filing?  
State the amendment number  
Number of pages attached

Yes[X] No[ ]

MY COMMISSION EXPIRES:  
September 23, 2006

## Statement of Actuarial Opinion

I, Betty Anne Neal, Vice President of Actuarial Services, am an employee of BlueCross BlueShield of Tennessee, Inc. ("BCBST") and a member of the American Academy of Actuaries. I meet the American Academy of Actuaries qualification standards for issuing an opinion on the unpaid claims liability of health insurers. I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities, and related items as shown in the quarterly statement of Volunteer State Health Plan, Inc. ("VHSP" or "the Company") as prepared for filing with the Tennessee Department of Insurance for the period ending June 30, 2005.

Item	Statement Reference	
	Page-Line	Amount
Claims Unpaid	3-1	\$ 0
Accrued medical incentive & bonus payments	3-2	\$ 0
Unpaid claims adjustment expenses	3-3	\$ 0
Aggregate health policy reserves	3-4	\$ 0
Aggregate life policy reserves	3-5	\$ 0
Property/casualty unearned premium reserves	3-6	\$ 0
Aggregate health claim reserves	3-7	\$ 0
Experience rated refunds		\$ 0
Any actuarial liabilities in Page 3, Line 21		\$ 0

My examination included such review of the assumptions and methods used and of the underlying basic records and/or summaries and such tests and calculations, as I considered necessary. In making my examination, I have relied on listings and summaries of claims and other relevant data, and upon representations regarding the consistency of paid claims data and unpaid claims reported as provided by Dana E. Hull, Manager of Subsidiary Accounting. I have also relied on the accuracy and consistency of the electronic systems and databases used as the basis of my analysis as provided by John T. Morgan, Manager, IM Finance.

My review did not include asset adequacy analysis, as such analysis is not in the scope of my assignment. I have not reviewed any of the Company's assets, and I have not formed an opinion as to the validity or value. The following opinion rests on the assumption that the Company's June 30, 2005 statutory-basis unpaid claims liability is funded by valid assets that have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

In my opinion, the amounts carried on the balance sheet on account of the items identified above for June 30, 2005:

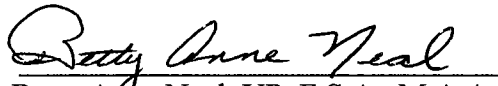
- (a) Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial standards,
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- (c) Meet the requirements of the insurance laws and regulations of the state of Tennessee,
- (d) Make a good and sufficient provision for all unpaid claims liabilities and other actuarial liabilities of the corporation under the terms of its contracts and agreements,
- (e) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- (f) Include appropriate provision for all actuarial reserves and related actuarial items that ought to be established.

## Statement of Actuarial Opinion

Actuarial methods, considerations, and analyses used in forming this opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

Considerable uncertainty and variability are inherent in estimating the unpaid claim liability. Accordingly, the subsequent development of the liability may not conform to the assumptions inherent in its determination and therefore may cause fluctuations in the ultimate amount of claims that are paid.

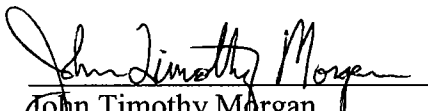
My review related only to the statutory-basis items identified herein, and I do not express an opinion on the Company's financial statements taken as a whole. This opinion has been prepared solely for the Board and the management of the Company, for filing with insurance regulatory agencies of states in which the Company is licensed, and for the Blue Cross and Blue Shield Association and is not intended for any other purpose.

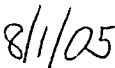


Betty Anne Neal, VP, F.S.A., M.A.A.A.  
BlueCross BlueShield of Tennessee, Inc.

Volunteer State Health Plan, Inc.  
Reliance Statement  
2<sup>nd</sup> Quarter Statement (June 30, 2005)

I, John Timothy Morgan, Manager, IM Finance of BlueCross BlueShield of Tennessee, Inc. (801 Pine Street, Chattanooga, TN) hereby affirm that the data extracts from the electronic data warehouse and subsequent database structures provided to Betty Anne Neal, Vice President of Underwriting and Actuarial Services, as the basis of the reserve analysis were prepared under my direction and, to the best of my knowledge and belief, are substantially accurate and complete.

  
John Timothy Morgan

  
Date

Volunteer State Health Plan, Inc.  
Reliance Statement  
2<sup>nd</sup> Quarter Statement (June 30, 2005)

I, Dana Elaine Hull, Manager, Subsidiary Accounting of BlueCross BlueShield of Tennessee, Inc. (801 Pine Street, Chattanooga, TN), hereby affirm that all accounting-related information prepared for and submitted to Betty Anne Neal, Vice President of Underwriting and Actuarial Services, was prepared under my direction and, to the best of my knowledge and belief, is substantially accurate and complete.

Dana Elaine Hull

Dana Elaine Hull

7/21/05

Date

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds .....	15,787,943		15,787,943	26,654,103
2.	Stocks:				
2.1	Preferred stocks .....				
2.2	Common stocks .....				
3.	Mortgage loans on real estate:				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate:				
4.1	Properties occupied by the company (less \$..... encumbrances) .....				
4.2	Properties held for the production of income (less \$..... encumbrances) .....				
4.3	Properties held for sale (less \$..... encumbrances) .....				
5.	Cash (\$.....(3,729,990)), cash equivalents (\$.....) and short-term investments \$.....56,105,865) .....	52,375,875		52,375,875	10,339,058
6.	Contract loans (including \$..... premium notes) .....				
7.	Other invested assets .....				
8.	Receivables for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	68,163,818		68,163,818	36,993,161
11.	Title plants less \$..... charged off (for Title insurers only) .....				
12.	Investment income due and accrued .....	184,204		184,204	229,478
13.	Premiums and considerations:				
13.1	Uncollected premiums and agents' balances in the course of collection .....				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums) .....				
13.3	Accrued retrospective premiums .....				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers .....				
14.2	Funds held by or deposited with reinsured companies .....				
14.3	Other amounts receivable under reinsurance contracts .....				
15.	Amounts receivable relating to uninsured plans .....	7,640,101		7,640,101	7,391
16.1	Current federal and foreign income tax recoverable and interest thereon .....				
16.2	Net deferred tax asset .....	350,437	350,437		
17.	Guaranty funds receivable or on deposit .....				
18.	Electronic data processing equipment and software .....				
19.	Furniture and equipment, including health care delivery assets (\$.....) .....				
20.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
21.	Receivables from parent, subsidiaries and affiliates .....				
22.	Health care (\$.....) and other amounts receivable .....				
23.	Aggregate write-ins for other than invested assets .....				24,163
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	76,338,560	350,437	75,988,123	37,254,193
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	TOTAL (Lines 24 and 25) .....	76,338,560	350,437	75,988,123	37,254,193
DETAILS OF WRITE-INS					
0901.	.....				
0902	.....				
0903	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	Exigency Post-Settlement Activity .....				24,163
2302	.....				
2303	.....				
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....				24,163

**LIABILITIES, CAPITAL AND SURPLUS**

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded) .....				
2.	Accrued medical incentive pool and bonus amounts .....				
3.	Unpaid claims adjustment expenses .....				
4.	Aggregate health policy reserves .....				
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserve .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....				
9.	General expenses due or accrued .....	579,044		579,044	506,143
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses)) .....				
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittances and items not allocated .....	79,830		79,830	52,984
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....	2,426,121		2,426,121	320,182
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured accident and health plans .....	37,781,152		37,781,152	1,026,949
21.	Aggregate write-ins for other liabilities (including \$..... current) .....	4,640,367		4,640,367	4,330,843
22.	Total liabilities (Lines 1 to 21) .....	45,506,514		45,506,514	6,237,101
23.	Aggregate write-ins for special surplus funds .....	X X X	X X X		
24.	Common capital stock .....	X X X	X X X	100,000	100,000
25.	Preferred capital stock .....	X X X	X X X		
26.	Gross paid in and contributed surplus .....	X X X	X X X		
27.	Surplus notes .....	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29.	Unassigned funds (surplus) .....	X X X	X X X	30,381,609	30,917,092
30.	Less treasury stock, at cost:				
30.1	..... shares common (value included in Line 24 \$.....)	X X X	X X X		
30.2	..... shares preferred (value included in Line 25 \$.....)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30) .....	X X X	X X X	30,481,609	31,017,092
32.	Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	75,988,123	37,254,193
DETAILS OF WRITE-INS					
2101.	Due State of Tennessee .....	2,915,713		2,915,713	3,105,208
2102.	Meharry Dental Payments Payable .....	833,333		833,333	
2103.	Stale Dated Checks .....	795,705		795,705	1,140,553
2198.	Summary of remaining write-ins for Line 21 from overflow page .....	95,616		95,616	85,082
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....	4,640,367		4,640,367	4,330,843
2301	.....	X X X	X X X		
2302	.....	X X X	X X X		
2303	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		
2801	.....	X X X	X X X		
2802	.....	X X X	X X X		
2803	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) .....	X X X	X X X		

**STATEMENT OF REVENUE AND EXPENSES**

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
1.	Member Months .....	X X X .....		
2.	Net premium income (including \$..... non-health premium income) .....	X X X .....	(64,013)	1,116,256
3.	Change in unearned premium reserves and reserves for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$..... medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate write-ins for other health care related revenues .....	X X X .....		
7.	Aggregate write-ins for other non-health revenues .....	X X X .....		
8.	Total revenues (Lines 2 to 7) .....	X X X .....	(64,013)	1,116,256
<b>Hospital and Medical:</b>				
9.	Hospital/medical benefits .....		697,986	128,391
10.	Other professional services .....		(21,908)	16,932
11.	Outside referrals .....			
12.	Emergency room and out-of-area .....		23,862	(18,921)
13.	Prescription drugs .....		(488)	(1,701)
14.	Aggregate write-ins for other hospital and medical .....		104,580	415,389
15.	Incentive pool, withhold adjustments and bonus amounts .....			
16.	Subtotal (Lines 9 to 15) .....		804,032	540,090
<b>Less:</b>				
17.	Net reinsurance recoveries .....			
18.	Total hospital and medical (Lines 16 minus 17) .....		804,032	540,090
19.	Non-health claims (net) .....			
20.	Claims adjustment expenses, including \$.....28,244 cost containment expenses .....		173,500	592,785
21.	General administrative expenses .....		229,989	485,006
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....			
23.	Total underwriting deductions (Lines 18 through 22) .....		1,207,521	1,617,881
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	(1,271,534)	(501,625)
25.	Net investment income earned .....		411,342	330,315
26.	Net realized capital gains (losses) less capital gains tax of \$.....			
27.	Net investment gains or (losses) (Lines 25 plus 26) .....		411,342	330,315
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....			
29.	Aggregate write-ins for other income or expenses .....			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	(860,192)	(171,310)
31.	Federal and foreign income taxes incurred .....	X X X .....	(324,709)	(324,045)
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	(535,483)	152,735
<b>DETAILS OF WRITE-INS</b>				
0601.	GME, Meharry, & Essential Provider Payment Revenues .....	X X X .....	59,011,198	143,089,020
0602.	GME, Meharry, Critical Access, and EPP Premium Taxes .....	X X X .....	(1,180,224)	(820,964)
0603.	Critical Access Payments .....	X X X .....	(2,310,430)	(1,676,988)
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....	(55,520,544)	(140,591,068)
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....		
0701	.....	X X X .....		
0702	.....	X X X .....		
0703	.....	X X X .....		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....		
1401.	Exigency Post-Settlement Activity .....		104,580	415,389
1402	.....			
1403	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....		104,580	415,389
2901	.....			
2902	.....			
2903	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year
CAPITAL & SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year .....	31,017,092	32,762,805	32,762,805
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34. Net income or (loss) from Line 32 .....	(535,483)	152,735	(1,746,350)
35. Change in valuation basis of aggregate policy and claim reserves .....			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....			
37. Change in net unrealized foreign exchange capital gain or (loss) .....			
38. Change in net deferred income tax .....	(23,642)	(528,154)	(262,534)
39. Change in nonadmitted assets .....	23,642	265,674	263,171
40. Change in unauthorized reinsurance .....			
41. Change in treasury stock .....			
42. Change in surplus notes .....			
43. Cumulative effect of changes in accounting principles .....			
44. Capital Changes:			
44.1 Paid in .....			
44.2 Transferred from surplus (Stock Dividend) .....			
44.3 Transferred to surplus .....			
45. Surplus adjustments:			
45.1 Paid in .....			
45.2 Transferred to capital (Stock Dividend) .....			
45.3 Transferred from capital .....			
46. Dividends to stockholders .....			
47. Aggregate write-ins for gains or (losses) in surplus .....			
48. Net change in capital and surplus (Lines 34 to 47) .....	(535,483)	(109,745)	(1,745,713)
49. Capital and surplus end of reporting period (Line 33 plus 48) .....	30,481,609	32,653,060	31,017,092
DETAILS OF WRITE-INS			
4701. ....			
4702. ....			
4703 .....			
4798. Summary of remaining write-ins for Line 47 from overflow page .....			
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....			

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	-	-
<b>REVENUES:</b>			
1. TennCare Capitation	(26,114)	(64,013)	1,048,821
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	(26,114)	(64,013)	1,048,821
4. Investment	225,753	411,342	643,634
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	199,639	347,329	1,692,455
<b>EXPENSES:</b>			
Medical and Hospital Services:			
7. Capitated Physician Services	-	-	-
8. Fee-for Service Physician Services	345,639	327,266	365,833
9. Inpatient Hospital Services	393,597	385,650	603,765
10. Outpatient Services	234,962	158,205	1,834,342
11. Emergency Room Services	29,188	29,976	(40,559)
12. Mental Health Services	-	-	-
13. Dental Services	-	-	-
14. Vision Services	-	(61)	40
15. Pharmacy Services	-	-	(1,088)
16. Home Health Services	56,375	46,394	(85)
17. Chiropractic Services	-	-	-
18. Radiology Services	32,590	30,059	(14,648)
19. Laboratory Services	342	255	(1,611)
20. Durable Medical Services	(115,639)	(112,055)	31,420
21. Transportation Services	12,682	12,314	5,335
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	(7,963)	44,476	448,642
26. Subtotal (Lines 7 to 25)	981,773	922,479	3,231,386
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	(179)	(334)	(594)
29. Subrogation and Coordination of Benefits	62,524	118,781	859,439
30. Subtotal (Lines 27 to 29)	62,345	118,447	858,845
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	919,428	804,032	2,372,541
Administration:			
32. Compensation	149,064	271,574	1,603,552
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	(522)	(1,280)	20,977
36. Occupancy, Depreciation and Amortization	15,977	29,108	171,878
37. Other Administration (Provide Detail)	57,131	104,087	615,077
38. TOTAL ADMINISTRATION (Lines 32 to 37)	221,650	403,489	2,411,484
39. TOTAL EXPENSES (Lines 31 and 38)	1,141,078	1,207,521	4,784,025
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(339,754)	(324,709)	(1,345,220)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(601,685)	(535,483)	(1,746,350)
<b>DETAILS OF WRITE-INS</b>			
0501. GME, Meharry, Critical Access & EPP Revenues	30,792,280	59,011,198	187,984,703
0502. GME, Meharry, Critical Access, and EPP Premium Taxes	(615,846)	(1,180,224)	(3,759,694)
0503. Critical Access Payments	(895,618)	(2,310,430)	(4,148,628)
0504. Meharry Payments	(4,280,816)	(5,520,544)	(4,940,605)
0505. Essential Provider Payments (EPP)	(25,000,000)	(50,000,000)	(125,000,000)
0506. GME Payments	-	-	(50,135,776)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	23,026	104,580	499,128
2502. PT/OT/ST, Supplies, Prosthetics, etc.	3,473	971	(5,370)
2503. Out of Area Claims	(5,176)	(4,312)	3,116
2504. Bad Debt Expense	(29,286)	(56,763)	(48,232)
2599. TOTALS	(7,963)	44,476	448,642
3701. Equipment	26,399	48,096	283,992
3702. Postage/Telephone	10,111	18,421	108,768
3703. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	7,555	13,765	81,755
3704. Auditing, Actuarial, and Other Consulting	6,733	12,267	72,432
3705. Outsourced Services	3,444	6,275	37,053
3706. Printing and Stationary	2,889	5,263	31,077
3799. TOTALS	57,131	104,087	615,077

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	1,384,901	2,760,495	5,591,880
<b>REVENUES:</b>			
1. TennCare Capitation	279,598,816	563,502,941	1,033,155,396
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	279,598,816	563,502,941	1,033,155,396
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	279,598,816	563,502,941	1,033,155,396
<b>EXPENSES:</b>			
Medical and Hospital Services:			
7. Capitated Physician Services	1,498,419	3,012,316	6,266,493
8. Fee-for Service Physician Services	77,971,125	158,729,115	297,710,776
9. Inpatient Hospital Services	74,121,230	150,756,775	286,869,203
10. Outpatient Services	42,289,560	84,435,852	157,717,918
11. Emergency Room Services	8,212,287	16,643,315	32,387,045
12. Mental Health Services	-	-	-
13. Dental Services	2,127	3,747	4,596
14. Vision Services	197,143	382,800	628,089
15. Pharmacy Services	42	(6,899)	(87,106)
16. Home Health Services	18,743,904	37,566,304	48,381,462
17. Chiropractic Services	-	-	-
18. Radiology Services	6,366,156	13,000,450	24,503,370
19. Laboratory Services	4,516,325	8,541,996	17,353,188
20. Durable Medical Services	6,044,480	12,583,130	21,765,166
21. Transportation Services	7,149,287	13,739,834	27,421,450
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	11,111,970	20,683,365	26,499,934
26. Subtotal (Lines 7 to 25)	258,224,055	520,072,100	947,421,584
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	479,659	954,796	1,824,785
29. Subrogation and Coordination of Benefits	638,021	1,056,626	1,950,657
30. Subtotal (Lines 27 to 29)	1,117,680	2,011,422	3,775,442
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	257,106,375	518,060,678	943,646,142
Administration:			
32. Compensation	11,682,868	23,271,105	46,678,998
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	5,591,977	11,270,059	20,663,108
36. Occupancy, Depreciation and Amortization	1,252,233	2,494,323	5,003,310
37. Other Administration (Provide Detail)	4,477,735	8,919,203	17,904,749
38. TOTAL ADMINISTRATION (Lines 32 to 37)	23,004,813	45,954,690	90,250,165
39. TOTAL EXPENSES (Lines 31 and 38)	280,111,188	564,015,368	1,033,896,307
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(179,331)	(179,350)	(259,319)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(333,041)	(333,077)	(481,592)
<b>DETAILS OF WRITE-INS</b>			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	9,039,526	15,445,617	17,649,455
2502. Out of Area Claims Expense	1,611,555	4,386,268	7,645,686
2503. Bad Debt Expense	460,889	851,480	1,204,793
2599. TOTALS	11,111,970	20,683,365	26,499,934
3701. Equipment Rental	2,069,059	4,121,360	8,266,942
3702. Postage/Telephone	792,442	1,578,467	3,166,211
3703. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	592,155	1,179,513	2,379,876
3704. Auditing, Actuarial, and Other Consulting	527,714	1,051,154	2,108,488
3705. Outsourced Services	269,953	537,719	1,078,600
3706. Printing and Stationary	226,412	450,990	904,632
3799. TOTALS	4,477,735	8,919,203	17,904,749

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	774,634	1,549,025	3,206,490
<b>REVENUES:</b>			
1. TennCare Capitation	142,923,984	288,672,702	541,320,501
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	142,923,984	288,672,702	541,320,501
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	142,923,984	288,672,702	541,320,501
<b>EXPENSES:</b>			
Medical and Hospital Services:			
7. Capitated Physician Services	629,704	1,277,418	4,893,967
8. Fee-for Service Physician Services	46,750,464	95,117,509	180,129,279
9. Inpatient Hospital Services	32,253,910	66,341,555	129,297,944
10. Outpatient Services	21,427,491	42,698,107	82,634,390
11. Emergency Room Services	4,003,875	7,910,857	15,575,889
12. Mental Health Services	-	-	-
13. Dental Services	453	1,319	2,461
14. Vision Services	113,263	221,929	319,896
15. Pharmacy Services	-	(14,703)	(516,148)
16. Home Health Services	6,897,213	14,580,758	19,747,940
17. Chiropractic Services	-	-	-
18. Radiology Services	3,413,977	6,772,975	13,646,789
19. Laboratory Services	3,366,361	6,278,773	11,184,824
20. Durable Medical Services	3,776,410	7,649,251	13,121,785
21. Transportation Services	2,846,603	5,466,446	10,929,500
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	5,606,768	10,156,973	11,959,524
26. Subtotal (Lines 7 to 25)	131,086,492	264,459,167	492,928,040
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	323,273	643,111	1,238,149
29. Subrogation and Coordination of Benefits	282,349	537,030	1,303,557
30. Subtotal (Lines 27 to 29)	605,622	1,180,141	2,541,706
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	130,480,870	263,279,026	490,386,334
Administration:			
32. Compensation	6,747,440	13,480,766	27,735,988
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	2,858,480	5,773,454	10,826,410
36. Occupancy, Depreciation and Amortization	723,227	1,444,942	2,972,894
37. Other Administration (Provide Detail)	2,586,116	5,166,823	10,638,745
38. TOTAL ADMINISTRATION (Lines 32 to 37)	12,915,263	25,865,985	52,174,037
39. TOTAL EXPENSES (Lines 31 and 38)	143,396,133	289,145,011	542,560,371
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(165,252)	(165,308)	(433,955)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(306,897)	(307,001)	(805,915)
<b>DETAILS OF WRITE-INS</b>			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	4,268,734	7,859,659	7,744,862
2502. Out of Area Claims Expense	807,735	1,682,691	2,796,950
2503. Bad Debt Expense	530,299	614,623	1,417,712
2599. TOTALS	5,606,768	10,156,973	11,959,524
3701. Equipment Rental	1,194,985	2,387,470	4,912,097
3702. Postage/Telephone	457,676	914,393	1,881,317
3703. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	341,998	683,283	1,414,091
3704. Auditing, Actuarial, and Other Consulting	304,781	608,925	1,252,833
3705. Outsourced Services	155,912	311,497	640,888
3706. Printing and Stationary	130,764	261,255	537,519
		-	-
3799. TOTALS	2,586,116	5,166,823	10,638,745

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance .....	(64,013)	1,048,821
2.	Net investment income .....	754,916	755,938
3.	Miscellaneous income .....		
4.	Total (Lines 1 through 3) .....	690,903	1,804,759
5.	Benefit and loss related payments .....	804,032	2,372,541
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	(28,790,905)	4,153,857
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses) .....	(324,709)	(1,345,857)
10.	Total (Lines 5 through 9) .....	(28,311,582)	5,180,541
11.	Net cash from operations (Line 4 minus Line 10) .....	29,002,485	(3,375,782)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	12,575,000	17,449,457
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		772,417
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	12,575,000	18,221,874
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	2,007,140	28,145,129
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....		
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	2,007,140	28,145,129
14.	Net increase (or decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14) .....	10,567,860	(9,923,255)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	2,466,472	(1,601,783)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	2,466,472	(1,601,783)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	42,036,817	(14,900,820)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	10,339,058	25,239,878
19.2	End of period (Line 18 plus Line 19.1) .....	52,375,875	10,339,058

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001	.....		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1  Total	Comprehensive (Hospital & Medical)		4  Medicare Supplement	5  Vision Only	6  Dental Only	7  Federal Employees Health Benefit Plan	8  Title XVIII Medicare	9  Title XIX Medicaid	10  Stop Loss	11  Disability Income	12  Long-Term Care	13  Other
		2  Individual	3  Group										
Total Members at end of:													
1. Prior Year .....													
2. First Quarter .....													
3. Second Quarter .....													
4. Third Quarter .....													
5. Current Year .....													
6. Current Year Member Months .....													
Total Member Ambulatory Encounters for Period:													
7. Physician .....	(97)								(97)				
8. Non-Physician .....	(56)								(56)				
9. Total .....	(153)								(153)				
10. Hospital Patient Days Incurred .....	(48)								(48)				
11. Number of Inpatient Admissions .....	(5)								(5)				
12. Health Premiums Written .....	(64,013)								(64,013)				
13. Life Premiums Direct .....													
14. Property/Casualty Premiums Written .....													
15. Health Premiums Earned .....	(64,013)								(64,013)				
16. Property/Casualty Premiums Earned .....													
17. Amount Paid for Provision of Health Care Services .....	804,032								804,032				
18. Amount Incurred for Provision of Health Care Services .....	804,032								804,032				

**CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)**

Aging Analysis of Unpaid Claims						
1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
<div>NONE</div>						
0899999 Accrued Medical Incentive Pool And Bonus Amounts .....						.....

**UNDERWRITING AND INVESTMENT EXHIBIT**

**ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE**

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5	6
		1	2	3	4	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical) .....						
2.	Medicare Supplement .....						
3.	Dental only .....						
4.	Vision only .....						
5.	Federal Employees Health Benefits Plan .....						
6.	Title XVIII - Medicare .....						
7.	Title XIX - Medicaid .....	804,032				804,032	
8.	Other health .....						
9.	Health subtotal (Lines 1 to 8) .....	804,032				804,032	
10.	Healthcare receivables (a) .....						
11.	Other non-health .....						
12.	Medical incentive pools and bonus amounts .....						
13.	TOTALS .....	804,032				804,032	

(a) Excludes \$...... loans or advances to providers not yet expensed.

# Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (the Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

In 2004 VSHP accepted the risk for uninsured claims overpayments for which the Company determined the State was not responsible. At the direction of the TDCI, TennCare Division, the Company recorded the uninsured claims overpayments as claims expense instead of reporting the net gain/(loss) on the general administrative expense line as required by NAIC SAP.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be increased and claims would be decreased \$2,993 YTD. The Exigency agreement with the State allowed VSHP to retain 1/3 of any gain and the State to receive 2/3 of any gain. The State covers any claims losses. A cash settlement of \$55,681,476 was made on December 20, 2002 for the 2/3 calculated gain settlement plus all December 2001 through November 2002 activity. During 2003 and 2004 activity was settled monthly on a cash basis. For 2005 activity continues to be settled monthly on a cash basis.

At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for pharmacy rebates, investment interest income, and premium taxes. The rationale behind the exclusion is that these assets have no economic benefit to VSHP.

B. Use of Estimates in the Preparation of the Financial Statements

No Change

C. Accounting Policy

No Change

2. Accounting Changes and Corrections of Errors

No Change

3. Business Combinations and Goodwill

No Change

4. Discontinued Operations

No Change

5. Investments

No Change

6. Joint Ventures, Partnerships and Limited Liability Companies

No Change

7. Investment Income

No Change

8. Derivative Instruments

No Change

Notes to Financial Statement

9. Income Taxes

A. The components of the net deferred tax asset recognized in the Company’s Assets, Liabilities, Surplus, and Other Funds are as follows:

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
(1) Total gross deferred tax assets (admitted and nonadmitted)	\$ 360,687	\$ 374,079
(2) Total of deferred tax liabilities	<u>0</u>	<u>0</u>
(3) Net deferred tax assets	360,687	374,079
(4) Deferred tax assets nonadmitted	<u>360,687</u>	<u>374,079</u>
(5) Net admitted deferred tax assets	<u>\$ 0</u>	<u>\$ 0</u>
(6) Increase (decrease) in nonadmitted asset	<u>\$ (13,392)</u>	<u>\$ (263,171)</u>

B. No Change

C. The change in net deferred income taxes is comprised of the following:

	<u>March 31, 2005</u>	<u>December 31, 2004</u>	<u>Change</u>
Total deferred tax assets (admitted and nonadmitted)	\$ 360,687	\$ 374,079	\$ (13,392)
Total deferred tax liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Net deferred tax assets (deferred assets less liabilities)	<u>\$ 360,687</u>	<u>\$ 374,079</u>	\$ (13,392)
Tax effect of unrealized gains (losses)			<u>0</u>
Change in net deferred income tax			<u>\$ (13,392)</u>

D. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	<u>March 31, 2005</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	<u>\$ 28,437</u>	<u>35.0%</u>
Federal and foreign income taxes incurred	\$ 15,045	18.5%
Change in net deferred income taxes	<u>13,392</u>	<u>16.5%</u>
Total statutory income taxes	<u>\$ 28,437</u>	<u>35.0%</u>

E. No Change

F. (1) The Company’s federal income tax return is consolidated with the following entities:

BlueCross BlueShield of Tennessee, Inc.  
Golden Security Insurance Company  
Group Insurance Services, Inc.  
Southern Diversified Business Services, Inc.  
RiverTrust Solutions, Inc.  
Security Care, Inc.  
Riverbend Government Benefits Administrator, Inc.

(2) The method of tax allocation between the members of the affiliated group is subject to a written agreement, approved by the Board of Directors. Allocation is based upon a percentage calculation. Intercompany tax balances are settled monthly.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. (The Parent).

The Parent owns 100% of Southern Diversified Business Services, Inc. (**SDBS**). SDBS holds the stock of Golden Security Insurance Company (**GSI**) and Group Insurance Services, Inc. (**GIS**). GIS is an insurance agency and performs other services as delegated. SDBS has a 10% interest in USABLE Life, Inc. (**USABLE**). GSI is licensed to provide health, term life, disability and other insurance coverage to its policyholders.

Capstone Government Solutions, LLC (**Capstone**) was incorporated in 2004 as a joint venture between The Parent d.b.a. Riverbend Government Benefits Administrator, Inc. (**RGBA**) and the Connecticut General Life Insurance Company, Inc., Medicare Administration (**Cigna**) for the purpose of bidding on and administering future Medicare fee-for-service contracts.

GDRG, LLC (**GDRG**) was formed in 2004. GDRG is a limited liability company whose primary purpose is to acquire, own, hold, maintain, operate, and develop real property. The Parent has a 99% interest in GDRG.

Tennessee Health Foundation, Inc. (**THF**) was created in 2003. THF is a not-for-profit, public benefit corporation that promotes charitable activities. The Parent appoints the board of directors of THF.

## Notes to Financial Statement

The Internal Revenue Service has granted THF a 501(c)(3) tax exemption. The Parent transferred \$23,300,000 to THF in March 2005, \$11,400,000 in 2004, and \$50,000 in 2003.

Tennessee Health Care Network, Inc. (**THCN**), previously a wholly owned subsidiary of the Parent, and shown on Schedule Y of the 2003 Annual Statement as having discontinued operations, was officially dissolved in 2004. THCN notified the TDCI in 2001 of its decision to cease writing new business. All existing contractual obligations as of that notification were honored, and all contracts for health care coverage terminated as of December 31, 2002.

Southern Health Plan, Inc. (**SHP**), an affiliate of SDBS, does business as BlueCross BlueShield of Tennessee Community Trust. SHP is a tax-exempt entity with the purpose of improving the quality of health care in Tennessee primarily through contributions to other tax-exempt organizations. SDBS has significant control over SHP through selection of its board of directors. The Internal Revenue Service has granted SHP a 501(c)(4) tax exemption.

Also owned by SDBS but not yet capitalized and therefore not included on Schedule Y are Security Care, Inc. and RiverTrust Solutions, Inc. (**RTS**). Security Care, Inc. was incorporated in 2004 as a wholly owned subsidiary of SDBS to bid on an RFP to manage Medicare’s Chronic Care Improvement Program (**CCIP**). RTS was established in 2003 as a wholly owned subsidiary of SDBS in order to create an entity that could become a Qualified Independent Contractor (**QIC**) for the purpose of bidding on future Medicare appeals workloads.

Advanced Insurance Services, Inc. (**AIS**), was a subsidiary of SDBS until it was dissolved on February 7, 2003. AIS was an inactive entity, which previously provided administrative services to self-funded groups.

In 2003, SDBS made a cash purchase of \$4,500,000 for 4,500,000 shares of preferred stock of HA Holdings, Inc., a specialty mail order pharmacy for Medicaid subscribers in Illinois, Texas, Mississippi and Florida. In 2004, SDBS invested an additional \$1,430,240. By December 31, 2004, SDBS had relinquished all shares of HA Holdings, Inc. for a consideration of \$10.00.

- B. No Change
- C. The Company paid \$29,240,509 and \$112,348,581 in 2005 and 2004 to the Parent for services performed under the administrative services agreement.
- D. At March 31, 2005, the Company reported \$886,952 as amounts due to the Parent. At December 31, 2004, the Company reported \$320,182 as amounts due from the Parent. These amounts are settled monthly.
- E. No Change
- F. No Change
- G. No Change
- H. No Change
- I. No Change
- J. No Change
- 11. Debt  
No Change
- 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans  
No Change
- 13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations  
No Change
- 14. Contingencies  
No Change
- 15. Leases  
No Change
- 16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Notes to Financial Statement

No Change

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C. Wash Sales

Not Applicable

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plan:

TennCare<sup>SM</sup> Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per an Administrative Service Agreement, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCare<sup>SM</sup> Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). Cash and invested assets related to TennCare<sup>SM</sup> Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCare<sup>SM</sup> Select and the Stabilization Plan are netted on p. 2, line 14, with the exception of those assets deemed to have no economic benefit to VSHP. Liabilities for the ASO plans are netted on page 3, line 20 in the category labeled “Liability for amounts held under uninsured accident and health plans”, excluding any ‘due to/from’ transactions occurring between the ASO, insured business, and the Parent.

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2005:

	(1)	(2)	(3)
	ASO	Uninsured	Total
	Uninsured	Portion of	ASO
	<u>Plans</u>	<u>Partially Insured</u>	<u>Plans</u>
a. Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of actual expenses	\$ 0	\$ 0	\$ 0
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	(215)	0	(215)
c. Net Gain or (Loss) from operations	<u>\$ (215)</u>	<u>\$ 0</u>	<u>\$ (215)</u>
d. Total Claims Payment Volume	\$ 368,799,149	\$ 0	\$ 368,799,149

B. ASC Plan

The Company operated under an Exigency agreement with the State for the period July 1, 2000 through June 30, 2001. At the direction of the TDCI, premium and claims equivalents are disseminated throughout the NAIC filing.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

Not Applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.

No Change

20. September 11 Events

No Change

21. Other Items

No Change

22. Events Subsequent

The Governor of the State of Tennessee has announced his plans to reform the TennCare<sup>SM</sup> program. His plan includes program-wide member disenrollments, the exact number of which is unknown. We do know that on June 8, 2005, 191,000 letters were mailed to members advising them of their potential disenrollment. Ultimately, these members may stay enrolled if they re-qualify under the new guidelines. As of this writing, we are uncertain as to the impact to the Company.

**Notes to Financial Statement**

23.

Reinsurance

No Change
24.

Retrospectively Rated Contracts

No Change
25.

Change in Incurred Claims and Claim Adjustment Expenses

No Change
26.

Intercompany Pooling Arrangements

No Change
27.

Structured Settlements

No Change
28.

Health Care Receivables

No Change
29.

Participating Policies

No Change
30.

Premium Deficiency Reserve

No Change
31.

Anticipated Salvage and Subrogation

No Change

**GENERAL INTERROGATORIES**

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

- 1.1 Did the reporting entity implement any significant accounting policy changes that would require disclosure in the Notes to the Financial Statements?

Yes[ ] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[ ] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[ ] No[ ] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 3.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes, complete the Schedule Y - Part 1 - organization chart

Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.

Yes[ ] No[ ] N/A[X]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2004
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2002
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/10/2003
- 7.4 By what department or departments?  
Tennessee Department of Commerce and Insurance
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[ ] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	. Yes[ ] No[X] .	. Yes[ ] No[X] .	. Yes[ ] No[X] .	. Yes[ ] No[X] .	. Yes[ ] No[X] .

**FINANCIAL**

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[ ] No[X]
- 10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$.....

**INVESTMENT**

- 11.1 Has there been any change in the reporting entity's own preferred or common stock?

Yes[ ] No[X]
- 11.2 If yes, explain:
- 12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[ ] No[X]
- 12.2 If yes, give full and complete information relating thereto:
13. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$.....
14. Amount of real estate and mortgages held in short-term investments:

\$.....
- 15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[ ] No[X]
- 15.2 If yes, please complete the following:

**GENERAL INTERROGATORIES (Continued)**

		1	2
		Prior Year-End Book/Adjusted Carrying Value	Current Quarter Statement Value
15.21	Bonds .....		
15.22	Preferred Stock .....		
15.23	Common Stock .....		
15.24	Short-Term Investments .....		
15.25	Mortgages Loans on Real Estate .....		
15.26	All Other .....		
15.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 15.21 to 15.26) .....		
15.28	Total Investment in Parent included in Lines 15.21 to 15.26 above .....		

16.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes[ ] No[X]  
Yes[ ] No[ ] N/A[X]

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes[X] No[ ]

1	2
Name of Custodian(s)	Custodian Address
Regions Morgan Keegan Trust .....	1100 Ridgeway Loop Ste 100 Memphis, TN 38120 .....

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....	.....	.....

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?

17.4 If yes, give full and complete information relating thereto:

Yes[X] No[ ]

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
Union Planters Bank, N.A. ....	Regions Morgan Keegan Trust .....	04/22/2005 ..	Bank Merger .....

17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
4161 .....	Regions Morgan Keegan Trust .....	1100 Ridgeway Loop Ste 100 Memphis, TN 38120 .....

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

18.2 If no, list exceptions:

Yes[X] No[ ]

STATEMENT AS OF **June 30, 2005** OF THE **Volunteer State Health Plan, Inc.**

**SCHEDULE A - VERIFICATION**

Real Estate		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	.....	.....
2.	Increase (decrease) by adjustment .....	.....	.....
3.	Cost of acquired .....	.....	.....
4.	Cost of additions to and permanent improvements .....	.....	.....
5.	Total profit (loss) on sales .....	.....	.....
6.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
7.	Amount received on sales .....	.....	.....
8.	Book/adjusted carrying value at end of current period .....	.....	.....
9.	Total valuation allowance .....	.....	.....
10.	Subtotal (Lines 8 plus 9) .....	.....	.....
11.	Total nonadmitted amounts .....	.....	.....
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) .....	.....	.....

**SCHEDULE B - VERIFICATION**

Mortgage Loans

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year ....	.....	.....
2.	Amount loaned during period:	.....	.....
2.1	Actual cost at time of acquisitions .....	.....	.....
2.2	Additional investment made after acquisitions .....	.....	.....
3.	Accrual of discount and mortgage interest points and commitment fees .....	.....	.....
4.	Increase (decrease) by adjustment .....	.....	.....
5.	Total profit (loss) on sale .....	.....	.....
6.	Amounts paid on account or in full during the period .....	.....	.....
7.	Amortization of premium .....	.....	.....
8.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....	.....	.....
10.	Total valuation allowance .....	.....	.....
11.	Subtotal (Lines 9 plus 10) .....	.....	.....
12.	Total nonadmitted amounts .....	.....	.....
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) .....	.....	.....

**SCHEDULE BA - VERIFICATION**

Other Invested Assets Included in Schedule BA

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....	.....	.....
2.	Cost of acquisitions during period:	.....	.....
2.1	Actual cost at time of acquisitions .....	.....	.....
2.2	Additional investment made after acquisitions .....	.....	.....
3.	Accrual of discount .....	.....	.....
4.	Increase (decrease) by adjustment .....	.....	.....
5.	Total profit (loss) on sale .....	.....	.....
6.	Amounts paid on account or in full during the period .....	.....	.....
7.	Amortization of premium .....	.....	.....
8.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
9.	Book/adjusted carrying value of long-term invested assets at end of current period .....	.....	.....
10.	Total valuation allowance .....	.....	.....
11.	Subtotal (Lines 9 plus 10) .....	.....	.....
12.	Total nonadmitted amounts .....	.....	.....
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) .....	.....	.....

**SCHEDULE D - VERIFICATION**

Bonds and Stocks

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	26,654,103	16,735,531
2.	Cost of bonds and stocks acquired .....	2,007,140	28,145,129
3.	Accrual of discount .....	.....	.....
4.	Increase (decrease) by adjustment .....	.....	.....
5.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
6.	Total profit (loss) on disposal .....	.....	(4,683)
7.	Consideration for bonds and stocks disposed of .....	12,575,000	17,449,457
8.	Amortization of premium .....	298,300	772,417
9.	Book/adjusted carrying value, current period .....	15,787,943	26,654,103
10.	Total valuation allowance .....	.....	.....
11.	Subtotal (Lines 9 plus 10) .....	15,787,943	26,654,103
12.	Total nonadmitted amounts .....	.....	.....
13.	Statement value .....	15,787,943	26,654,103

**SCHEDULE D - PART 1B**  
**Showing the Acquisitions, Dispositions and Non-Trading Activity**  
**During the Current Quarter for all Bonds and Preferred Stock by Rating Class**

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1 .....	77,572,179	470,597,209	476,152,815	(122,765)	77,572,179	71,893,808		75,801,511
2. Class 2 .....								
3. Class 3 .....								
4. Class 4 .....								
5. Class 5 .....								
6. Class 6 .....								
7. TOTAL Bonds .....	77,572,179	470,597,209	476,152,815	(122,765)	77,572,179	71,893,808		75,801,511
<b>PREFERRED STOCK</b>								
8. Class 1 .....								
9. Class 2 .....								
10. Class 3 .....								
11. Class 4 .....								
12. Class 5 .....								
13. Class 6 .....								
14. TOTAL Preferred Stock .....								
15. TOTAL Bonds & Preferred Stock .....	77,572,179	470,597,209	476,152,815	(122,765)	77,572,179	71,893,808		75,801,511

**SCHEDULE DA - PART 1**

**Short - Term Investments Owned End of Current Quarter**

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999. TOTALS .....	56,105,865	X X X	56,105,865	550,752	

**SCHEDULE DA - PART 2 - Verification**

**Short-Term Investments Owned**

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	49,147,408	36,500,803
2.	Cost of short-term investments acquired .....	824,462,150	1,411,184,030
3.	Increase (decrease) by adjustment .....		(69,100)
4.	Increase (decrease) by foreign exchange adjustment .....		
5.	Total profit (loss) on disposal of short-term investments .....		
6.	Consideration received on disposal of short-term investments .....	817,503,693	1,398,468,325
7.	Book/adjusted carrying value, current period .....	56,105,865	49,147,408
8.	Total valuation allowance .....		
9.	Subtotals (Lines 7 plus 8) .....	56,105,865	49,147,408
10.	Total nonadmitted amounts .....		
11.	Statement value (Lines 9 minus 10) .....	56,105,865	49,147,408
12.	Income collected during period .....	550,752	520,562
13.	Income earned during period .....	522,378	499,809

**SCHEDULE DB - PART F - SECTION 1**  
**Summary of Replicated (Synthetic) Assets Open**

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset							
1  Replication RSAT Number	2  Description	3  NAIC Designation or Other Description	4  Statement Value	5  Fair Value	Derivative Instruments Open		Cash Instrument(s) Held					
					6	7	8	9	10	11	12	
					Description	Fair Value	CUSIP	Description	Statement Value	Fair Value	NAIC Designation or Other Description	
					NONE							
9999999 Totals .....			.....	.....	X X X .....		.....	X X X .....	X X X .....	.....	.....	X X X .....

**SCHEDULE DB - PART F - SECTION 2**  
**Reconciliation of Replicated (Synthetic) Assets Open**

		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
		1	2	3	4	5	6	7	8	9	10
		Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1.	Beginning Inventory .....										
2.	Add: Opened or Acquired Transactions .....										
3.	Add: Increases in Replicated Asset Statement Value .....	X X X		X		X X X		X X X		X X X	
4.	Less: Closed or Disposed of Transactions .....										
5.	Less: Positions Disposed of for Failing Effectiveness Criteria .....										
6.	Less: Decreases in Replicated (Synthetic) Asset Statement Value .....	X X X		X X X		X X X		X X X		X X X	
7.	Ending Inventory .....										

NONE

**SCHEDULE S - CEDED REINSURANCE**  
**Showing all new reinsurers-Current Year to Date**

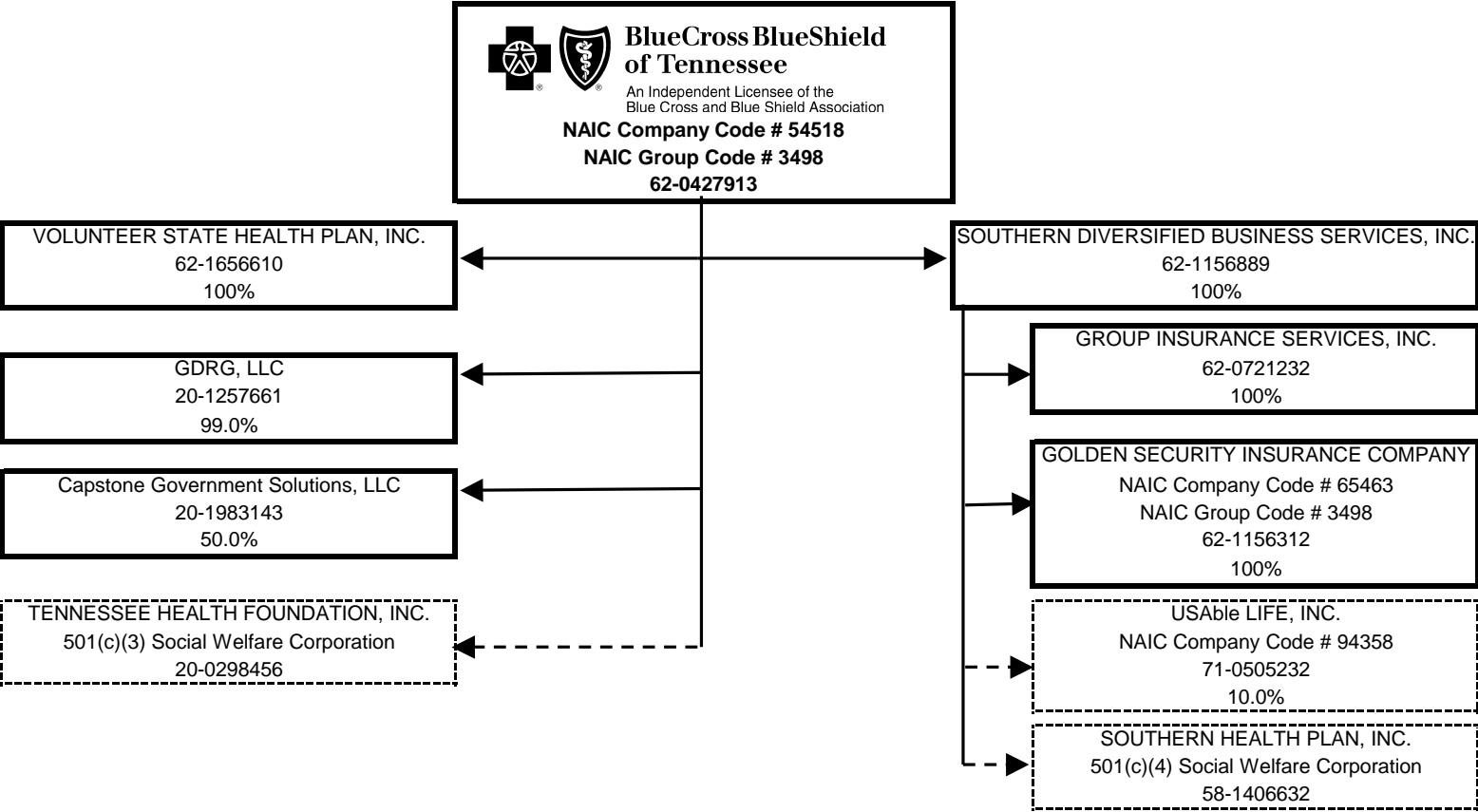
1 NAIC Company Code	2 Federal ID Number	3  Name of Reinsurer	4  Location	5 Is Insurer Authorized? (Yes or No)
		<div>NONE</div>		

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**  
**Allocated by States and Territories**

		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3  Accident and Health Premiums	4  Medicare Title XVIII	5  Medicaid Title XIX	6  Federal Employees Health Benefits Program Premiums	7  Life and Annuity Premiums and Deposit-Type Contract Funds	8  Property/ Casualty Premiums
State, Etc.									
1.	Alabama (AL)	No	No						
2.	Alaska (AK)	No	No						
3.	Arizona (AZ)	No	No						
4.	Arkansas (AR)	No	No						
5.	California (CA)	No	No						
6.	Colorado (CO)	No	No						
7.	Connecticut (CT)	No	No						
8.	Delaware (DE)	No	No						
9.	District of Columbia (DC)	No	No						
10.	Florida (FL)	No	No						
11.	Georgia (GA)	No	No						
12.	Hawaii (HI)	No	No						
13.	Idaho (ID)	No	No						
14.	Illinois (IL)	No	No						
15.	Indiana (IN)	No	No						
16.	Iowa (IA)	No	No						
17.	Kansas (KS)	No	No						
18.	Kentucky (KY)	No	No						
19.	Louisiana (LA)	No	No						
20.	Maine (ME)	No	No						
21.	Maryland (MD)	No	No						
22.	Massachusetts (MA)	No	No						
23.	Michigan (MI)	No	No						
24.	Minnesota (MN)	No	No						
25.	Mississippi (MS)	No	No						
26.	Missouri (MO)	No	No						
27.	Montana (MT)	No	No						
28.	Nebraska (NE)	No	No						
29.	Nevada (NV)	No	No						
30.	New Hampshire (NH)	No	No						
31.	New Jersey (NJ)	No	No						
32.	New Mexico (NM)	No	No						
33.	New York (NY)	No	No						
34.	North Carolina (NC)	No	No						
35.	North Dakota (ND)	No	No						
36.	Ohio (OH)	No	No						
37.	Oklahoma (OK)	No	No						
38.	Oregon (OR)	No	No						
39.	Pennsylvania (PA)	No	No						
40.	Rhode Island (RI)	No	No						
41.	South Carolina (SC)	No	No						
42.	South Dakota (SD)	No	No						
43.	Tennessee (TN)	No	Yes			(64,013)			
44.	Texas (TX)	No	No						
45.	Utah (UT)	No	No						
46.	Vermont (VT)	No	No						
47.	Virginia (VA)	No	No						
48.	Washington (WA)	No	No						
49.	West Virginia (WV)	No	No						
50.	Wisconsin (WI)	No	No						
51.	Wyoming (WY)	No	No						
52.	American Samoa (AS)	No	No						
53.	Guam (GU)	No	No						
54.	Puerto Rico (PR)	No	No						
55.	U.S. Virgin Islands (VI)	No	No						
56.	Canada (CN)	No	No						
57.	Aggregate other alien (OT)	X X X	X X X						
58.	Subtotal	X X X	X X X			(64,013)			
59.	Reporting entity contributions for Employee Benefit Plans	X X X	X X X						
60.	Total (Direct Business)	X X X	(a)..... 1			(64,013)			
DETAILS OF WRITE-INS									
5701		X X X	X X X						
5702		X X X	X X X						
5703		X X X	X X X						
5798.	Summary of remaining write-ins for Line 57 from overflow page	X X X	X X X						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)	X X X	X X X						

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER**  
**MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**



OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
2104.	Payable to THP .....	91,023	.....	91,023	85,082
2105.	Exigency Post Settlement Activity .....	4,593	.....	4,593	.....
2197.	Summary of remaining write-ins for Line 21 (Lines 2104 through 2196) .....	95,616	.....	95,616	85,082

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
0604.	Meharry Payments .....	X X X .....	(5,520,544)	(2,461,149)
0605.	Essential Provider Payments (EPP) .....	X X X .....	(50,000,000)	(102,040,816)
0606.	GME Payments .....	X X X .....	.....	(36,089,103)
0607.	.....	X X X .....	.....	.....
0697.	Summary of remaining write-ins for Line 6 (Lines 0604 through 0696) .....	X X X .....	(55,520,544)	(140,591,068)

**SCHEDULE A - PART 2**  
**Showing all Real Estate ACQUIRED During the Current Quarter**

1  Description of Property	Location		4	5	6	7	8	9
	2	3						
	City	State	Date Acquired	Name of Vendor	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Expended for Additions and Permanent Improvements
<div>NONE</div>								
9999999 Totals .....					.....	.....	.....	.....

**SCHEDULE A - PART 3**  
**Showing all Real Estate SOLD during the Quarter, including Payments during the Final Year on "Sales under Contract"**

1  Description of Property	Location		4  Disposal Date	5  Name of Purchaser	6  Actual Cost	7	8	9 Expended for Additions, Permanent Improvements and Changes in Encumbrances	10 Book/Adjusted Carrying Value Less Encumbrances	11 Amounts Received	12 Foreign Exchange Profit (Loss) on Sale	13 Realized Profit (Loss) on Sale	14 Total Profit (Loss) on Sale	15 Gross Income Earned Less Interest Incurred on Encumbrances	16 Taxes, Repairs and Expenses Incurred
	2  City	3  State				Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment								
						N O N E									
9999999 Totals .....					.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

**SCHEDULE B - PART 1**

**Showing all Mortgage Loans ACQUIRED during the Current Quarter**

1	Location		4	5	6	7	8	9	10	11	12
	2	3									
Loan Number	City	State	Loan Type	Actual Cost	Date Acquired	Rate of Interest	Book Value/Recorded Investment Excluding Accrued Interest	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Value of Land and Buildings	Date of Last Appraisal or Valuation
			NONE								
9999999 GRAND TOTAL .....					... X X X ..	... X X X ..					... X X X ..

**SCHEDULE B - PART 2**

**Showing all Mortgage Loans SOLD, Transferred or Paid in Full During the Current Quarter**

1	Location		4	5	6	7	8	9	10	11	12	13
	2	3			Book Value/ Recorded Investment Excluding Accrued Interest Prior Year		Increase (Decrease) by Foreign Exchange Adjustment	Book Value/ Recorded Investment Excluding Accrued Interest at Disposition				
Loan Number	City	State	Loan Type	Date Acquired		Increase (Decrease) by Adjustment			Consideration Received			
NONE												
9999999 Totals .....					.....	.....	.....	.....	.....	.....	.....	.....

**SCHEDULE BA - PART 1**

**Showing Other Long-Term Invested Assets ACQUIRED during the Current Quarter**

1  CUSIP Identification	2  Number of Units and Description	Location		5  Name of Vendor	6  NAIC Designation	7  Date Acquired	8  Actual Cost	9  Amount of Encumbrances	10  Book/ Adjusted Carrying Value Less Encumbrances	11  SVO Assigned Value	12  Increase (Decrease) by Adjustment	13  Increase (Decrease) by Foreign Exchange Adjustment
		3  City	4  State									
<div>NONE</div>												
3399999 Totals .....							.....	.....	.....	.....	.....	.....

**SCHEDULE BA - PART 2**

**Showing Other Long-Term Invested Assets SOLD, transferred or paid in full during the Current Quarter**

1  Number of Units and Description	Location		4  Name of Purchaser or Nature of Disposition	5  Date Acquired	6  Book/ Adjusted Carrying Value Less Encumbrances Prior Year	7  Increase (Decrease) by Adjustment	8  Increase (Decrease) by Foreign Exchange Adjustment	9  Book Adjusted/ Carrying Value Less Encumbrances at Disposition	10  Consideration Received	11  Foreign Exchange Profit (Loss) on Sale	12  Realized Profit (Loss) on Sale	13  Total Profit (Loss) on Sale
	2  City	3  State										
N O N E												
3399999 Totals .....					.....	.....	.....	.....	.....	.....	.....	.....

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
<b>Bonds - U.S. Governments</b>									
31331SUJ0 .....	FEDERAL FARM CREDIT .....		04/20/2005 ....	Aintree Capital .....	X X X .....	2,007,140 .....	2,000,000.00 .....	257 .....	1 .....
0399999 Subtotal - Bonds - U.S. Governments .....					X X X .....	2,007,140 .....	2,000,000.00 .....	257 .....	X X X .....
6099997 Subtotal - Bonds - Part 3 .....					X X X .....	2,007,140 .....	2,000,000.00 .....	257 .....	X X X .....
6099998 Summary Item for Bonds Bought and Sold This Quarter .....					X X X .....	X X X .....	X X X .....	X X X .....	X X X .....
6099999 Subtotal - Bonds .....					X X X .....	2,007,140 .....	2,000,000.00 .....	257 .....	X X X .....
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....					X X X .....	X X X .....	X X X .....	X X X .....	X X X .....
7299998 Summary Item for Common Stock Bought and Sold This Quarter .....					X X X .....	X X X .....	X X X .....	X X X .....	X X X .....
7399999 Subtotal - Preferred and Common Stocks .....					X X X .....	.....	X X X .....	.....	X X X .....
7499999 Total - Bonds, Preferred and Common Stocks .....					X X X .....	2,007,140 .....	X X X .....	257 .....	X X X .....

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of  
by the Company During the Current Quarter

1	2	3 F o r e i g n	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description		Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
<b>Bonds - U.S. Governments</b>																					
3133MBT23 .	FEDERAL HOME LOAN BANK .....	...	06/15/2005	MATURITY .....	X X X .	2,000,000	2,000,000.00	2,154,300	2,050,061	.....	(50,061)	.....	(50,061)	.....	2,000,000	.....	.....	.....	69,550	06/15/2005	1 .....
3133X3L35 .	FEDERAL HOME LOAN BANK .....	...	05/17/2005	MATURITY .....	X X X .	2,000,000	2,000,000.00	2,000,000	2,000,000	.....	.....	.....	.....	.....	2,000,000	.....	.....	.....	15,200	05/17/2005	1 .....
0399999 Subtotal - Bonds - U.S. Governments .....					X X X .	4,000,000	4,000,000.00	4,154,300	4,050,061	.....	(50,061)	.....	(50,061)	.....	4,000,000	.....	.....	.....	84,750	X X X .	X X X .
<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>																					
020002AL5 .	ALLSTATE CORP .....	...	05/01/2005	MATURITY .....	X X X .	1,000,000	1,000,000.00	1,080,930	1,021,232	.....	(21,232)	.....	(21,232)	.....	1,000,000	.....	.....	.....	39,375	05/01/2005	1 .....
079867AL1 .	BELLSOUTH TELECOMMUNICATIONS .....	...	06/15/2005	MATURITY .....	X X X .	1,000,000	1,000,000.00	1,068,600	1,022,486	.....	(22,486)	.....	(22,486)	.....	1,000,000	.....	.....	.....	32,500	06/15/2005	1 .....
12490KAB3 .	CBS CORP .....	...	05/20/2005	MATURITY .....	X X X .	1,000,000	1,000,000.00	1,073,820	1,021,544	.....	(21,544)	.....	(21,544)	.....	1,000,000	.....	.....	.....	35,750	05/20/2005	1 .....
00206HH72 .	CIT - AT&T CAP CORP MTN TR #00638 .....	...	05/15/2005	MATURITY .....	X X X .	1,000,000	1,000,000.00	1,065,000	1,018,488	.....	(18,488)	.....	(18,488)	.....	1,000,000	.....	.....	.....	33,000	05/15/2005	1 .....
428236AD5 .	HEWLETT-PACKARD CO .....	...	06/15/2005	MATURITY .....	X X X .	1,000,000	1,000,000.00	1,076,480	1,025,078	.....	(25,078)	.....	(25,078)	.....	1,000,000	.....	.....	.....	35,750	06/15/2005	1 .....
441812GL2 .	HOUSEHOLD FIN CORP NT .....	...	05/09/2005	MATURITY .....	X X X .	1,075,000	1,075,000.00	1,164,494	1,099,619	.....	(24,619)	.....	(24,619)	.....	1,075,000	.....	.....	.....	43,000	05/09/2005	1 .....
833667AC2 .	SOCIETY NATIONAL BANK .....	...	06/01/2005	MATURITY .....	X X X .	500,000	500,000.00	538,005	511,612	.....	(11,612)	.....	(11,612)	.....	500,000	.....	.....	.....	18,125	06/01/2005	1 .....
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated) .....					X X X .	6,575,000	6,575,000.00	7,067,329	6,720,058	.....	(145,058)	.....	(145,058)	.....	6,575,000	.....	.....	.....	237,500	X X X .	X X X .
6099997 Subtotal - Bonds - Part 4 .....					X X X .	10,575,000	10,575,000.00	11,221,629	10,770,119	.....	(195,119)	.....	(195,119)	.....	10,575,000	.....	.....	.....	322,250	X X X .	X X X .
6099998 Summary Item for Bonds Bought and Sold This Quarter .....					X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .
6099999 Subtotal - Bonds .....					X X X .	10,575,000	10,575,000.00	11,221,629	10,770,119	.....	(195,119)	.....	(195,119)	.....	10,575,000	.....	.....	.....	322,250	X X X .	X X X .
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter .....					X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .
7299998 Summary Item for Common Stock Bought and Sold This Quarter .....					X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .	X X X .
7399999 Subtotal - Preferred and Common Stocks .....					X X X .	.....	X X X .	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	X X X .	X X X .
7499999 Total - Bonds, Preferred and Common Stocks .....					X X X .	10,575,000	X X X .	11,221,629	10,770,119	.....	(195,119)	.....	(195,119)	.....	10,575,000	.....	.....	.....	322,250	X X X .	X X X .

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....

**SCHEDULE DB - PART A - SECTION 1**

**Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date**

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/ Option Premium	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income
NONE													
9999999 Total .....						.....	.....	. X X X	.....	.....	.....	.....	.....

**SCHEDULE DB - PART B - SECTION 1**

**Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date**

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Issuance/ Purchase	Exchange or Counterparty	Consideration Received	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis	Other Investment/ Miscellaneous Income
NONE													
9999999 Total .....						.....	.....	. X X X	.....	.....	.....	.....	.....

**SCHEDULE DB - PART C - SECTION 1**  
**Showing all Collar, Swap and Forwards Open at Current Statement Date**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure
NONE														
								. X X X						
9999999 Total .....						.....	.....		.....	.....	.....	.....	.....	.....

**SCHEDULE DB - PART D - SECTION 1**  
**Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date**

1	2	3	4	5	6	7	8	9	Variation Margin Information			13
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	10	11	12	Potential Exposure
9999999 Total .....			.....	.....	.....	... X X X ..	..... X X X .....	.....	.....	.....	.....	.....

**SCHEDULE E - PART 1 - CASH**

**Month End Depository Balances**

1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
open depositories										
Union Planters Bank, NA .....	7130 Goodlett Farms Pkwy, Cordova, TN 38018 .....						(771,690)	(989,191)	45,739	X X X
Regions Bank .....	2128 Gunbarrel Rd, Chattanooga, TN 37421 .....						(12,225,188)	(12,144,985)	(1,040,808)	X X X
Regions Bank .....	2128 Gunbarrel Rd, Chattanooga, TN 37421 .....						(24,934,838)	(23,196,370)	(2,803,530)	X X X
0199998 Deposits in .....3 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories ..			X X X	X X X			14,430	56,553	68,609	X X X
0199999 Totals - Open Depositories .....			X X X	X X X			(37,917,286)	(36,273,993)	(3,729,990)	X X X
0299998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories .....			X X X	X X X						X X X
0299999 Totals - Suspended Depositories .....			X X X	X X X						X X X
0399999 Total Cash On Deposit .....			X X X	X X X			(37,917,286)	(36,273,993)	(3,729,990)	X X X
0499999 Cash in Company's Office .....			X X X	X X X	X X X	X X X				X X X
0599999 Total Cash .....			X X X	X X X			(37,917,286)	(36,273,993)	(3,729,990)	X X X

**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Gross Investment Income
<div>NONE</div>								
0199999 Total Cash Equivalents .....						.....	.....	.....

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EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
			NONE			
0599999 Accident and health premiums due and unpaid (Page 2, Line 13)						

**EXHIBIT 3 - HEALTH CARE RECEIVABLES**

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
		NONE				
0799999 Gross health care receivables .....	.....	.....	.....	.....	.....	.....

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5	6	Admitted	
						7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually listed receivables							
	N O N E						
0199999 Total - individually listed receivables .....							
0299999 Receivables not individually listed .....							
0399999 Total gross amounts receivable .....							

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount		
			4 Current	5 Non-Current
BlueCross BlueShield of Tennessee	ITS claims and miscellaneous	2,426,121	2,426,121	.....
0199999 Total - Individually listed payables	.....XXX.....	2,426,121	2,426,121	.....
0299999 Payables not individually listed	.....XXX.....	.....	.....	.....
0399999 Total gross payables	.....XXX.....	2,426,121	2,426,121	.....